

Message Text

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ACTION H-03

INFO OCT-01 EUR-06 ADP-00 SS-02 AID-01 NSC-04 RSR-01 RSC-01

/019 W

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P 211027 Z APR 73

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 8207

C O N F I D E N T I A L MOSCOW 4503

E. O. 11652: N/A

TAGS: OREP

SUBJ: CODEL HARTKE MEETING WITH FOREIGN TRADE MINISTER PATOLICHEV

1. ALL MEMBERS OF CODEL HARTKE MET FOR HOUR AND HALF APRIL 20 WITH FOREIGN TRADE MINISTER PATOLICHEV. DISCUSSION COVERED RANGE OF ECONOMIC- COMMERCIAL ISSUES BETWEEN US AND USSR, INCLUDING MFN AND EDUCATION TAX ON EMIGRANTS. DISCUSSION ON ALL ISSUES WAS ANIMATED BUT AMICABLE. SENATOR HARTKE STATED DESIRE TO CALL ON BREZHNEV DURING HIS STAY IN USSR AND PATOLICHEV SAID WOULD PASS REQUEST FORWARD.

2. SENATOR HARTKE STARTED OUT BY SAYING BOTH DEMOCRATS AND REPUBLICANS ON DELEGATION THOUGHT PRESIDENT NIXON HAD DONE GOOD JOB OF REDUCING TENSIONS BETWEEN US. HE TICKED OFF SUBJECTS HE WISHED TO COVER AND PATOLICHEV ASKED WHETHER DISCUSSION WAS TO BE FRANK, TO WHICH HARTKE SAID YES. PATOLICHEV THEN SAID HE AGREED WITH SENATOR HARTKE'S REMARKS THAT SUMMIT LAST YEAR AND POSSIBLE FUTURE SUMMITS HAD GIVEN FOOD FOR THOUGHT TO PEOPLE IN BOTH COUNTRIES WORKING ON ECONOMIC MATTERS. HE HAD BEEN PRESENT IN WASHINGTON FOR FINAL NEGOTIATIONS AND SIGNING LEND LEASE AND TRADE AGREEMENTS LAST OCTOBER. SOVIET SIDE THOUGHT THAT ALL THESE EFFORTS INDICATED US WAS SERIOUSLY INTERESTED IN EXPANDING OUR ECONOMIC- COMMERCIAL RELATIONS. IF US WAS IN FACT SERIOUS, THEN AGREEMENTS WOULD GO INTO EFFECT. PATOLICHEV DID NOT DRAW IMPLIED OPPOSITE CONCLUSION BUT UNDERScored NEED TO BE GUIDED ON BOTH SIDES ON BASIS OF SELF- INTEREST. HE THOUGHT THIS UNDERSTOOD THROUGHOUT TALKS WITH SECRETARIES STANS AND PETERSON AND THAT MFN WAS MUTUALLY BENEFICIAL. WITHOUT CONFIDENTIAL

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MFN, TRADE CAN'T GO FAR. FOR EXAMPLE, SOVIETS READY TO BID ON NEW COMPLEX AT NEW GRANDE COULEE BUT

DUTY ON HYDROELECTRIC GENERATORS IN 38 PERCENT FOR USSR,
ONLY 7 PERCENT FOR OTHERS HAVING MFN.

3. SENATOR BEALL SAID GROUP HE WAS WITH WAS ENCOURAGED BY NEW
RELATIONSHIP BETWEEN OUR COUNTRIES AND DIRECTION IN WHICH IT
COULD LEAD US. HE SAID WE WOULD LIKE TO IMPLEMENT AGREEMENTS
SIGNED IN TRADE FIELD LAST YEAR, WHICH EVERYONE REALIZED INVOLVED
MOST FAVORED NATION STATUS. BUT THERE WAS ALSO POLITICAL
PROBLEM CREATED BY " EMIGRATION TAX". HE ASKED WHETHER PATOLICHEV
COULD COMMENT ON REPORTS THAT SOVIET GOVT HAD SUSPENDED TAS.

4. PATOLICHEV ANSWERED HE WAS NOT FULLY INFORMED ON MATTER SINCE
DID NOT LIE WITHIN HIS JURISDICTION BUT HE DID NOT THINK THERE
WAS A PROBLEM. HE ADDED THAT WHATEVER CONCERNS " STATE SECURITY"
MUST STAY AS IT IS. HE ASKED RHETORICALLY WHETHER
US WOULD ALLOW CITIZEN TO EMIGRATE WHO WORKED IN " SECRET,
SENSITIVE ESTABLISHMENT", THEN ANSWERED QUESTION BY SAYING HE
WAS SURE THAT WOULD NOT BE CASE AND IF USG DID ALLOW SUCH
EMIGRATION AMERICAN PEOPLE WOULD OPPOSE SUCH POLICY.

5. SENATOR CANNON SAID WE COULD EXPLAIN " STATE SECURITY" ANGLE
TO CONSTITUENTS BUT OTHER ASPECTS WERE MORE DIFFICULT. IF
PATOLICHEV COULD GIVE ASSURANCES THAT SUCH SECURITY WAS ONLY
BASIS FOR RESTRICTING EMIGRATION, THEN THAT WOULD BE VERY
USEFUL WITH CONSTITUENTS. PATOLICHEV REITERATED THAT MATTER
WAS BEYOND HIS COMPETENCE BUT HE HAD REPLIED IN BEST WAY HE
COULD. HE ENDED DISCUSSION OF THIS SUBJECT BY OFFERING HUMOROUSLY
TO COME EXPLAIN PROBLEM TO CONSTITUENTS. IN SAME VEIN,
OFFER WAS QUICKLY ACCEPTED BY SEVERAL SENATORS.

6. ON OTHER SUBJECTS DISCUSSED, SOVIETS TOOK FAIRLY STANDARD
POSITIONS.

A. ON POSSIBLE SOVIET GRAIN PURCHASES THIS YEAR, PATOLICHEV
SAID HE WAS AWARE THEIR PURCHASES LAST YEAR HAD BEEN SUBJECT
OF VARIOUS INTERPRETATIONS IN US. THEY HAD DONE NOTHING MORE,
HOWEVER, THAT ENGAGE IN MORMAL COMMERCIAL TRANSACTIONS WITH US
GRAIN SELLERS, JUST AS THEY HAD IN OTHER COUNTRIES. SENATOR
PEARSON REPLIED THAT CRITICISM MORE DIRECTED AT ADMINISTRATION
THAT AT SOVIET BUYERS. GRAIN SALES WERE OBVIOUSLY TO OUR
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ADVANTAGE BUT PRICE OF WHEAT HAD STILL GONE UP. ALL THIS PROVED
WAS THAT WE MUST COORDINATE OUR EFFORTS. THAT WAS WHY WE WOULD
LIKE TO HAVE SOME IDEA OF WHAT SOVIET REQUIREMENTS WOULD
BE THIS YEAR SO WE COULD PLAN OUR ACREAGE ACCORDINGLY. PATOLICHEV
RESPONDED THAT DIFFICULT TO FORESEE REQUIRMENTS BECAUSE
OF HIGHLY UNPREDICTABLE CLIMATIC CONDITIONS IN MUCH OF COUNTRY.
HE COULD ASSURE SENATORS THAT SOVIETS WOULD BE BUYING FEED
GRAINS TO MAINTAIN THEIR CATTLE BREEDING PROGRAM. ANOTHER
IMPORTANT FACTOR WAS SOVIET COMMITMENTS TO SUPPLY GRAIN TO

SEVERAL OF THE EASTERN EUROPEAN COUNTRIES, WHICH IN CALENDAR YEARS 1917 AND 1972 AMOUNTED TO SOME 7.5 AND 8.5 MILLION TONS RESPECTIVELY. PATOLICHEV SAID THAT SO FAR THIS YEAR SOVIET AGRICULTURE WAS PROCEEDING WELL BUT IT WAS STILL TOO EARLY TO TELLHOW THINGS WOULD EVENTUALLY LOOK.

B. ON POSSIBLE COOPERATION IN RAW MATERIALS AND ENERGY SOURCES DEVELOPMENT. PATOLICHEV SAID HE ALREADY IN TOUCH WITH US COMPANIES ON GAS EXPLOITATION IN WEST SIBERIA. SUPPLYING OIL FROM THAT REGION TO SOVIET FAR EAST WAS ANOTHER ENORMOUS PROJECT, WHICH EVENTUALLY COULD INVOLVE MOVING 40-50 MILLION TONS OF OIL PER YEAR. REFINERIES WOULD ALSO HAVE TO BE BUILT IN FAR EAST TO HANDLE THIS. ASKED ABOUT US COMPANIES PARTICIPATING IN EXPLORATION AND DRILLING FOR MORE OIL AND GAS, PATOLICHEV SAID USSR NOW TALKING TO JAPANESE AND US COMPANIES ABOUT EXPLORATION OFFSHORE OF SAKHALIN ISLAND. SOVIET ESTIMATES WERE THAT RESERVES IN THIS REGION COULD AMOUNT TO FOUR BILLION TONS.

C. AS FAR AS INDUSTRIAL COMPLEXES WERE CONCERNED, HE COULD CITE THE RECENT FERTILIZER DEAL WITH OXIDENTAL PETROLEUM WHICH WOULD INVOLVE THE CONSTRUCTION OF AMMONIA AND UREA PLANTS, PIPELINES ETC. PATOLICHEV SAID HIS MINISTRY HAS PROPOSED TO THE COUNCIL OF MINISTERS THAT SUCH ENORMOUS PROJECTS BE DONE OVER AND ABOCE THE FIVE YEAR PLAN. REPAYMENT WOULD BE LARGELY IN FORM OF PRODUCT.

D. SENATOR HARTKE ASKED ABOUT DIRECT CONTACTS BETWEEN US BUSINESSMEN AND SOVIET ENTERPRISE/ ORGANIZATION MANAGEMENT. PATOLICHEV ASSERTED THAT CONTACTS OF THIS KIND WITH OFFICIALS OF SOVIET INDUSTRY AND INDUSTRIAL MINISTRIES WERE NOT LIMITED IN ANY WAY.

E. RESPECTING RELATIONS WITH EXIMBANK AND PROVISION OF
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FINANCIAL INFORMATION, PATOLICHEV AHD DEPUTY FOREIGN TRADE MINISTER ALKHIMOV BOTH SAID USSR WAS MOST CREDITWORTHY COUNTRY IN WORLD AND THAT INFORMATION WE HAD ASKED FOR WAS AVAILABLE. ON OTHER HAND, OTHER COUNTRIES LIKE GREAT BRITIAN AND WEST GERMANY LENT LARGE SUMS TO USSR WITHOUT ASKING FOR DETAILED FINANCIAL INFORMATION. SOVIETS FELT EXIMBANK REQUIREMENTS IN THIS RESPECT WERE OLD FASHIONED BUT THEY WOULD NEVERTHELESS BE FLEXIBLE. SENATOR HARTKE ASSURED THEM REQUEST FOR FINANCIAL INFO NOT DISCRIMINATORY AGAINST USSR SINCE LAW REQUIRED IT FROM ALL COUNTRIES RECEIVING EXIMBANK LOANS.

7. COMMENT: SENATORS WERE PLEASED AT BOTH SUBSTANCE AND TONE OF THEIR MEETING WITH PATOLICHEV AND CAME AWAY IMPRESSED WITH HIM AS PERSON. IMMEDIATELY FOLLOWING MEETING PATOLICHEV HOSTED LUNCH FOR MOST OF CODEL WHICH PASSED OFF IN GOOD ATMOSPHERE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 07 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MOSCOW04503
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730460/abqcefzj.tel
Line Count: 166
Locator: TEXT ON-LINE
Office: ACTION H
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Sep-2001 by smithrj>; APPROVED <29-Nov-2001 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980127
Subject: CODEL HARTKE MEETING WITH FOREIGN TRADE MINISTER PATOLICHEV
TAGS: OREP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005